

TO :  Paul Rochon

**FROM
DE**

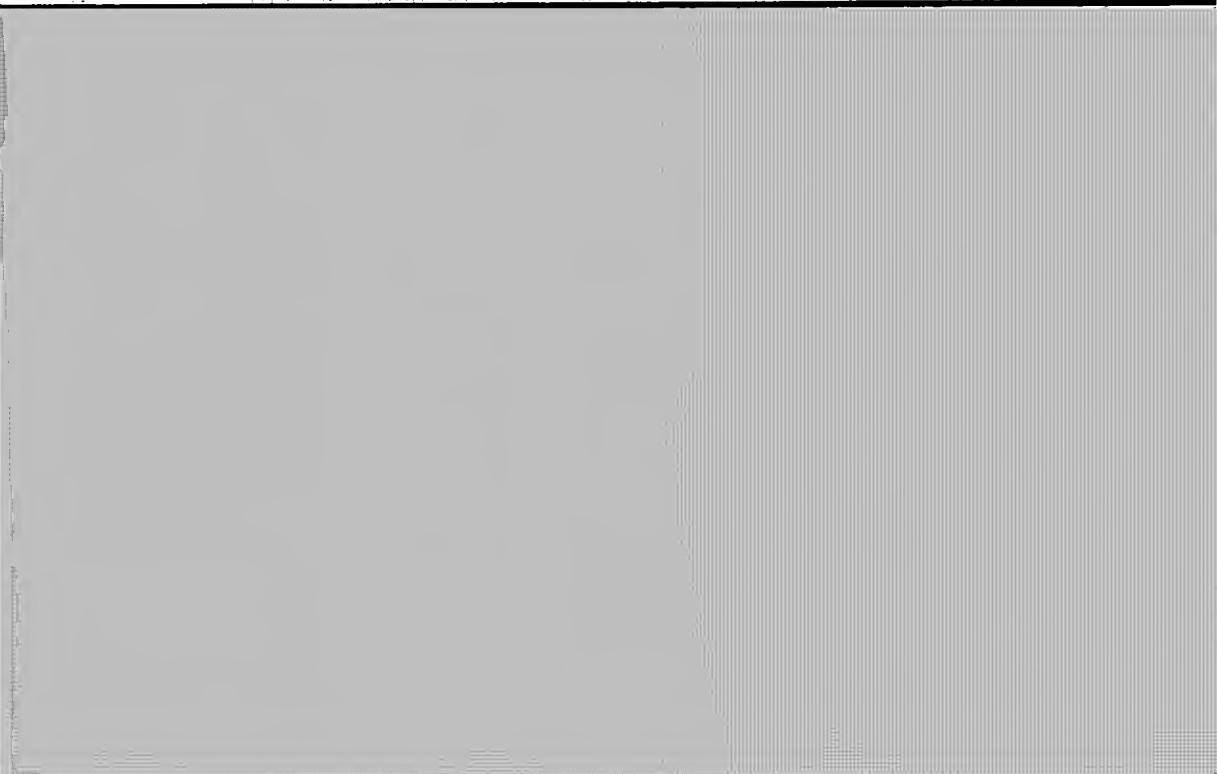
Richard Botham

MEMORANDUM NOTE DE SERVICE

Security classification	Classification de sécurité
SECRET	
Originator/Telephone number Auteur/Numéro de téléphone	
Katherine Aciro	
Our file Notre référence	
Your file Votre référence	
2018FIN467703	
Date	
JAN 2 3 2018	

SUBJECT
OBJET

National Shipbuilding Strategy Policy Refresh



Background

Announced in June 2010, the NSS is a long-term plan to renew fleets of the Royal Canadian Navy (RCN) and Canadian Coast Guard (CCG). The objectives of the strategy are to:

- Renew the RCN and CCG fleets in a timely and affordable manner;
 - Create a sustainable marine sector in Canada; and,
 - Encourage economic benefits for Canadians.

A key feature of the NSS was a decision to build vessels in Canada. Following a national competitive process, two Canadian shipyards were identified as strategic sources of supply:

ADM: Richard Botham (613-369-3623)
Director General: Evelyn Danzey (613-369-3642)

Canadä

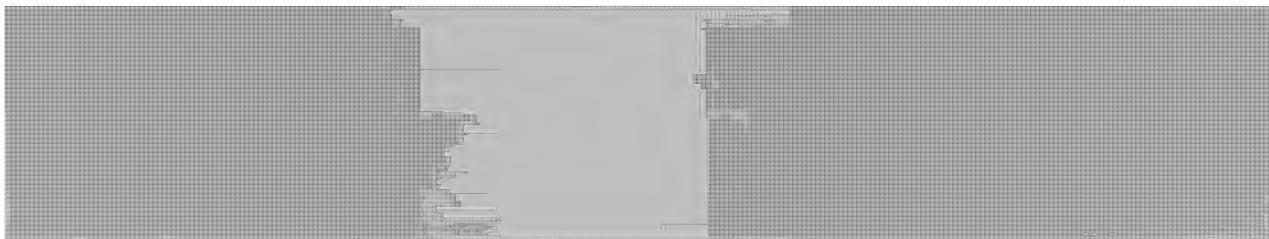
s.69(1)(g) re: (a)

s.69(1)(g) re: (e)

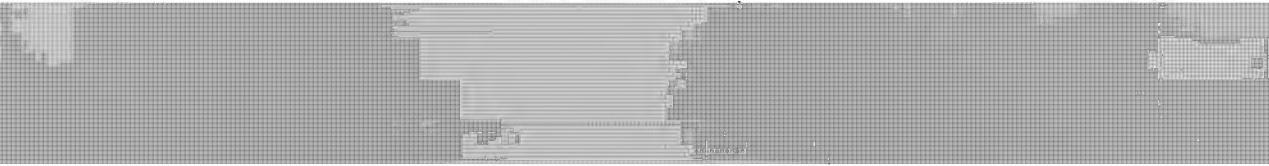
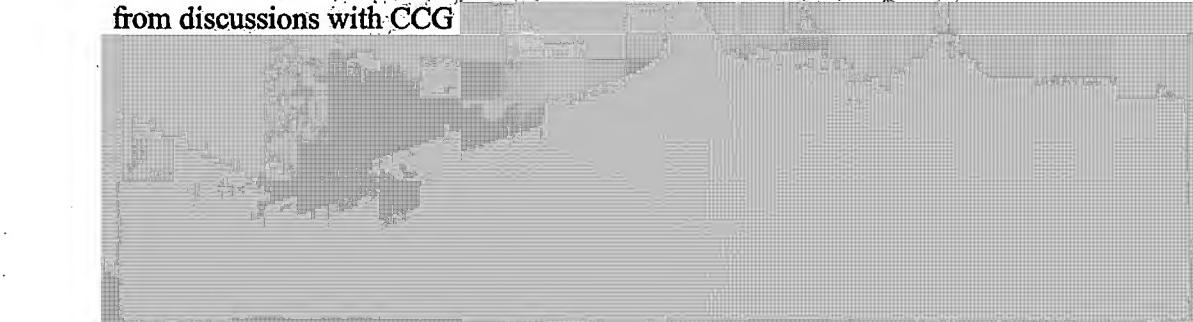
Irving Shipbuilding International (ISI) for the Combat package and Vancouver Shipyards (VSY) for the Non-Combat package.

Communicated achievements under the NSS typically focus on economic benefits. As part of the new strategic relationship, the two shipyards made significant investments to upgrade their facilities to meet the requirements of a modern Canadian fleet, including \$170 million at VSY and \$350 million at ISI. Together the shipyards directly employ 2,770 individuals, and have contracts with suppliers from across Canada.

There has also been tangible progress with respect to ship construction. On December 8, 2017, VSY launched the first Offshore Fisheries Science Vessel (OFSV) – the first large vessel designed and built under the NSS. ISI has also fully assembled the three “mega-blocks” of the first Arctic Offshore Patrol Ship (AOPS), to make up the entire vessel.



- **At ISI:** The Combat package of ships includes 5-6 AOPS and 15 Canadian Surface Combatants (CSC). ISI recently revised its construction schedule to reflect delays in the delivery of AOPS vessels of up to six months. ISI is also forecasting a production gap between the construction of the AOPS and the CSC that will likely start in 2019. The timing and scale of the gap is dependant on whether there will be sufficient funding available to exercise an option for a 6th AOPS after accounting for cost escalation, as well as the timing of the design schedule for the CSC.
- **At VSY:** The Non-Combat package of ships includes 3 OFSVs, 1 Offshore Oceanographic Science Vessel (OOSV), 2 Joint Support Ships (JSS), and 1 Polar Icebreaker. For the OFSVs, which are currently under construction, we understand from discussions with CCG



s.18(b)

s.20(1)(b)

s.20(1)(c)

s.21(1)(a)

s.21(1)(b)

**Pages 3 to / à 6
are withheld pursuant to sections
sont retenues en vertu des articles**

69(1)(g) re: (a), 69(1)(g) re: (e)

**of the Access to Information Act
de la Loi sur l'accès à l'information**

**Pages 7 to / à 25
are withheld pursuant to section
sont retenues en vertu de l'article**

69(1)(a)

**of the Access to Information Act
de la Loi sur l'accès à l'information**

 Department of Finance Canada	Ministère des Finances Canada
For Signature by / Information of À signer par / Pour l'information de	
Deputy Minister Prepared by (name/initials/division) Préparé par (nom/initialles/division) Katherine Aciro Microeconomic Policy Analysis In consultation with (name/initials/branch(es)/division(s)) En consultation avec (nom/initialles/direction(s)/division(s))	
Approved by Approuvé par	
Director Directrice / Directeur	Ed. Malota
Director General Directrice générale / Directeur général	Evelyn Dancey
Associate ADM Délégué Sous-ministre-adjoint	Soren Halverson
Assistant Deputy Minister Sous-ministre adjoint	Richard Botham <i>(Signature)</i>
Clifford Clark Visiting Economist Économiste invité Clifford Clark	
Associate Deputy Minister & G7 Deputy for Canada Sous-ministre délégué et représentant du Canada au G7	Rob Stewart
Associate Deputy Minister Sous-ministre délégué	
Deputy Minister Sous-ministre	Paul Rochon
<input type="checkbox"/> Deputy Minister to see Sous-ministre à voir	
Remarks Remarques:	
SUBJECT / OBJET: NATIONAL SHIPBUILDING STRATEGY POLICY REFRESH	
FOR (ACTION – Date) / (INFORMATION)(DECISION – Date)	
File no. No de dossier 2018FIN467703	Date JAN 23 2018

Associate Deputy Minister & G7 Deputy for Canada Sous-ministre délégué et représentant (Sign on behalf of DM) du Canada au G7 <input type="checkbox"/> (Signer au nom du SM)	
Associate Deputy Minister Sous-ministre déléguée <input type="checkbox"/> (Sign on behalf of DM) (Signer au nom du SM)	
Assistant Deputy Minister Sous-ministre adjoint(e) <input type="checkbox"/> (Sign on behalf of DM) (Signer au nom du SM)	